

See Vol. 3464

No. 22,163

**United States Court of Appeals
For the Ninth Circuit**

JOHN BOYCE, an individual, and FMC
Corporation, a corporation,
Appellants and Cross-Appellees,

VS.

EARL R. ANDERSON, an individual, and
Fisher Corporation, a corporation,
Appellees and Cross Appellants.

**BRIEF FOR APPELLEES
AND CROSS-APPELLANTS**

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JOHN BOYCE, an individual, and FMC
CORPORATION, a corporation,
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VS.

EARL R. ANDERSON, an individual, and
FILPER CORPORATION, a corporation,
Appellees and Cross-Appellants.

BRIEF FOR APPELLEES AND CROSS-APPELLANTS

This is an appeal from a judgment dismissing Appellants¹ complaint, which sought an order reversing the decision of the United States Patent Office Board of Patent Interferences in Interference No. 89,173 awarding priority of invention of a method of pitting peaches to Appellees.¹ The judgment was based on a conclusion that Plaintiffs placed the invention in issue in public use and on sale more than one year prior to the filing date of their application for Letters Patent and were, therefore, barred from receiving a patent under the provisions of 35 U.S.C. §102(b).

¹Hereinafter referred to as Plaintiffs; Appellees as Defendants.

JURISDICTION

Plaintiffs alleged jurisdiction in the Trial Court under 28 U.S.C. §1338 as an action arising under the patent laws of the United States, specifically 35 U.S.C. §146. Defendants contest such jurisdiction.

Jurisdiction of this Court on appeal is based on 28 U.S.C. §1291, in that the judgment entered by the District Court on July 12, 1967, was final. Notice of appeal was filed by Plaintiffs on July 26, 1967, and notice of cross-appeal was filed by Defendants on August 4, 1967.

STATEMENT OF THE CASE

Related to Jurisdiction

On March 7, 1962, the United States Patent Office Board of Interferences, in Interference No. 89,173 between the parties to this action, issued a decision awarding priority of invention of a method of pitting peaches to Defendant Anderson. (Exh. AS.²) The original complaint filed in the District Court on April 30, 1962, contained no allegations that an appeal had not been taken to the United States Court of Customs and Patent Appeals. (Vol. 1,³ pp. 1-4.) Defendants moved to dismiss that complaint on the ground of lack of jurisdiction, the Court granted the motion with leave to Plaintiffs to amend, and, on June 11, 1962, the first amended complaint was filed. (Vol. 1, p. 5.)

²Plaintiffs' exhibits begin with numbers, Defendants' with letters.

³Designated pleadings assembled in Vol. 1. Reporter's Transcript of Proceedings of Trial, originally numbered Vols. 1-7 renumbered Vols. 2-8 for this appeal.

Related to Public Use

As a result of Defendant Anderson filing in the United States Patent Office an application for Letters Patent on August 6, 1956, and Plaintiff Boyce filing an application for Letters Patent on June 10, 1957, both of which applications contained a claim (count) to a method of pitting peaches, Interference No. 89,173 was declared. Priority of invention of such claim was awarded by the Board of Interferences to Defendant Anderson. (Exh. AS.) Plaintiffs filed the action below seeking a reversal of such decision. (Vol. 1, pp. 4, 8.)

In an effort to establish they made the invention at an early date, Plaintiffs contended they completed such invention prior to August 8, 1955 (Vol. 2, p. 58), and successfully demonstrated it during the 1955 peach season (Exh. Y, p. 11, penultimate paragraph; Exh. AC). Plaintiffs' records also showed they demonstrated a "Model 300" peach pitting machine, which embodied and practiced the invention in issue (Vol. 2, pp. 73-74, 80-81, 131, 134-135; Vol. 3, pp. 131, 134-135), to a number of Plaintiffs' major customers, invited by Plaintiffs' sales manager (Vol. 2, p. 99; Vol. 4, pp. 225, 249-250, 271; Vol. 5, pp. 337-340, 410-411; Vol. 7, p. 560; Vol. 8, p. 678; Exh. AC; Exh. Y, p. 11; Exh. Z, pp. 18816, 18817), for the purpose of determining whether the appearance of the peaches pitted by such method was acceptable to the customers and how extensively the new pitting method might be used. (Vol. 5, pp. 371-372.)

Several cases of peaches pitted during the demonstration runs were canned, shown to customers for

sales promotion purposes (Vol. 2, p. 89; Vol. 3, p. 137; Vol. 5, pp. 366-367; Exh. AE; Exh. AE-1; Exh. AJ; Exh. AK; Exh. BP; Exh. BQ; Exh. BR; Exh. Z, pp. 18818-18824) and pictures of the same were employed in a color brochure advertising the existence and availability of the Model 300 peach pitter (Vol. 2, pp. 92-94; Vol. 3, pp. 124-125; Exh. AQ). Such brochures were distributed to the trade on or before June 5, 1956. (Vol. 2, pp. 92-94.) From October, 1955, through March, 1956, Plaintiff took "sales orders" on its regular printed forms for Model 300 peach pitters. (Vol. 3, pp. 117-118, 172-174; Exh. AB-1; Exh. AB-4; Exh. AB-6; Exh. AB-10; Exh. AB-13; Exh. AB-15; Exh. AB-19; Exh. AB-20; Exh. AB-21; Exh. AF; Exh. BJ-1; Exh. CE-1.) A number of such customers executed standard printed form leases for #300 pitters and Plaintiff FMC accepted such leases during the period from October, 1955 to before the "critical" date of June 10, 1956 (one year prior to the date of Plaintiffs' application for patent.) (Vol. 3, p. 184; Exh. AB-9; Exh. AB-12; Exh. AB-14; Exh. AB-18; Exh. AF; Exh. CF-4.)

In mid-January, 1956, Plaintiff undertook production of Model 300 peach pitting heads for its lease customers. (Exh. AG; Exh. AH; Exh. AI; Exh. AM.) During the peach season of 1956, several of Plaintiff's customers reported the tonnages of peaches pitted by their #300 machines in the usual manner, they were billed for the lease rentals, and the billings were entered in Plaintiff's, FMC's, books in the regular manner. Some of such rentals were actually paid

and such payments were entered in Plaintiff's, FMC's, books in the ordinary course of business. (Vol. 3, pp. 118-119; 176, 180, 181, 182, 184-185; Vol. 4, pp. 232-233, 236-239, 241-242, 243, 254, 257-258, 278, 285, 292; Vol. 7, pp. 564-566; Exh. AB-1; Exh. AB-4; Exh. AB-6; Exh. AB-10; Exh. AB-15; Exh. AB-20; Exh. AB-25; Exh. AT; Exh. BB; Exh. BD-1 to BD-8; Exh. BG; Exh. BL; Exh. BO; Exh. BS-2 to BS-7; Exh. BV; Exh. CA-1 to CA-3; Exh. CJ-5; Exh. CJ-6.)

Prior to the critical date of June 10, 1956, Plaintiff took orders for, executed leases with respect to and took steps to produce between 200 and 400 Model 300 machines. Such practice was inconsistent with Plaintiff's usual experimental practice of employing a special form of agreement with respect to machines which were intended to be placed on a trial or experimental basis. (Vol. 5, pp. 371-372; Vol. 6, pp. 533, 537.)

SPECIFICATION OF ERRORS

In connection with their cross-appeal on the issue of jurisdiction, Defendants specify the following errors:

1. The District Court erred in failing to grant Defendants' motion to dismiss this action on the ground that the original complaint was defective in not including sufficient allegations for jurisdiction.
2. The District Court erred in allowing Plaintiffs to file a first amended complaint after expiration of

the time for filing the complaint specified in 35 U.S.C. §146.

3. The District Court erred in allowing this action to proceed on the basis of Plaintiffs' first amended complaint.

SUPPORT FOR CHALLENGED FINDINGS

Appellant has challenged only Findings 38 and 40 the latter of which is an ultimate finding of fact based on a number of preceding findings. Therefore, under Rule 18 (3), Defendant specifies references to the record that support the findings as follows:

Finding 10. Plaintiffs contend they completed the invention in issue by August 8, 1955. (Vol. 2, p. 58.)

Findings 12 and 34. Plaintiffs' "Model 300" peach pitting machine or heads embodied and practiced the invention in issue. (Vol. 2, pp. 73-74, 80-81; Vol. 3, pp. 131, 134-135.)

Findings 13, 14 and 20. Plaintiffs' sales representatives demonstrated their Model 300 machine for groups of invited customers during the latter part of August and the first part of September, 1955, for the purpose, inter alia, of determining whether peaches pitted on such machine would be acceptable to the trade and how extensively the customers might utilize the method practiced by the machine. (Vol. 2, p. 99; Vol. 4, pp. 225, 249-250, 271; Vol. 5, pp. 337-340, 371-372, 410-411; Vol. 7, p. 560; Vol. 8, p. 678; Exh. Y, p. 11; Exh. Z, pp. 18816, 18817; Exh. AC.)

Findings 22 and 30. Sample peaches were pitted on the Model 300 machine, some were shown to Plaintiffs' customers, and some were shipped to them and charged to "sales promotion expense". (Vol. 2, p. 89; Vol. 3, p. 137; Vol. 5, pp. 366-367; Exh. Z, pp. 18818-18824; Exh. AE; Exh. AE-1; Exh. AJ; Exh. AK; Exh. BP; Exh. BQ; Exh. BR.)

Finding 23. Some of such sample peaches were pictured in a printed, color brochure advertising the Model 300 machine as currently available. Such brochures were distributed to Plaintiffs' customers for distribution to the trade on or about June 5, 1956. (Vol. 2, pp. 92-94; Vol. 3, pp. 124-125; Exh. AQ.)

Finding 24. Prior to 1955 Plaintiffs' normal practice in marketing peach pitting machines was to take sales orders from customers, accept lease agreements, require reports of rentals from and bill its customers for such rentals, all on standard printed forms. (Vol. 3, pp. 117-118, 172-174, 184.)

Finding 25. From October 24, 1955, through March, 1956, Plaintiffs issued sales orders on such printed forms for over 400 heads for use on their Model 300 machines. (Exh. AB-1; Exh. AB-4; Exh. AB-6; Exh. AB-10; Exh. AB-13; Exh. AB-15; Exh. AB-19; Exh. AB-20; Exh. AB-21; Exh. AF; Exh. BJ-1; Exh. CE-1.)

Finding 26. Between October, 1955, and June, 1956, Plaintiffs' customers executed standard printed form leases for the use of over 200 Model 300 machines during the 1956 peach pitting season, beginning

July 1, 1956, and Plaintiff FMC accepted the same. (Exh. AB-3; Exh. AB-5; Exh. AB-9; Exh. AB-12; Exh. AB-14; Exh. AB-18; Exh. AF-4; Exh. CF-4.)

Finding 28. In mid-January, 1956, Plaintiff undertook production of parts for Model 300 machines for installation prior to the 1956 peach pitting season. (Exh. AG; Exh. AH; Exh. AI; Exh. AM.)

Finding 35. Plaintiffs' purpose in demonstrating their Model 300 machine to customers, displaying such sample peaches, making changes in mechanical details of the machine, and preparing and publishing such advertising brochure was to solicit orders for such machine from their customers. (Vol. 5, pp. 371-372; Vol. 6, pp. 533, 537.)

Finding 38. At least 200 Model 300 machines were installed and operated in Plaintiff's customers' canning plants during the 1956 peach season, several of such customers reported the tonnage of peaches processed on such machines, were billed in due course for lease rentals, and some paid the rentals due to Plaintiff under such leases. (Vol. 3, pp. 118-119, 176, 180, 181, 182, 184-185; Vol. 4, pp. 232-233, 236-239, 241-242, 246, 254, 257-258, 278, 285, 292; Vol. 7, pp. 564-566; Exh. AB-1; Exh. AB-4; Exh. AB-6; Exh. AB-10; Exh. AB-15; Exh. AB-20; Exh. AB-25; Exh. AT; Exh. BB; Exh. BD-1 to BD-8; Exh. BG; Exh. BL; Exh. BO; Exh. BS-2 to BS-7; Exh. BV; Exh. CA-1 to CA-3; Exh. CJ-5; Exh. CJ-6.)

Finding 40. The large number of Model 300 machines and the number of lessees involved in Plain-

tiff's leasing program for the 1956 peach season, as well as the circumstances under which such machines were placed for use requires a finding that Plaintiff intended to and did commercially use such machines. (See above Findings Nos. 23, 24, 25, 26, 35 and 38.)

ARGUMENT JURISDICTION

The United States Patent Office Board of Interferences awarded priority of invention to Defendants after interference proceedings contested by Plaintiffs. (Exh. AS.) Fifty-four (54) days after the Board's decision, Plaintiffs filed a complaint in the District Court (Vol. 1, p. 1) for a civil action under 35 U.S.C. §146 which reads, in part:

Any party to an interference dissatisfied with the decision of the board of patent interferences on the question of priority, may have remedy by civil action, if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 141 of this title, unless he has appealed to the United States Court of Customs and Patent Appeals, and such appeal is pending or has been decided . . .

The complaint did not state whether Plaintiffs had appealed to the United States Court of Customs and Patent Appeals. (Vol. 1, pp. 1-4.)

At a hearing on June 5, 1962, ninety (90) days after the Board's decision, Defendants' Motion to

Dismiss the Complaint for lack of jurisdiction was granted by the District Court with leave for Plaintiffs to amend within ten (10) days.

On June 11, 1962, ninety-six (96) days after the Board's decision, Plaintiffs filed a First Amended Complaint, adding to the original complaint only the allegation that no previous appeal to the United States Court of Customs and Patent Appeals had been taken. (Vol. 1, pp. 5-8.)

Defendants' Renewed Motion to Dismiss the First Amended Complaint for lack of jurisdiction was denied by the District Court on June 20, 1962.

- A. The original complaint should have been dismissed without leave to amend, because it did not affirmatively state that appeal had not been taken to the United States Court of Customs and Patent Appeals.**

It is well settled that the federal courts are courts of limited jurisdiction, *Shamrock Oil & Gas Corporation v. Sheets*, 313 U.S. 100, 108-109, 61 S.Ct. 868 (1941), that statutes conferring jurisdiction are to be strictly construed, *Healy v. Ratta*, 292 U.S. 263, 270, 54 S.Ct. 700 (1934), and that facts requisite to federal jurisdiction must affirmatively appear in the record, *Robertson v. Cease*, 97 U.S. 646, 648-650 (1878); *Ex parte Smith*, 94 U.S. 455, 456 (1876).

The principal authorities on the question of the specific jurisdictional requirements under 35 U.S.C. §146 (and its predecessor R.S. 4915) are: *Klumb v. Roach*, 151 F.2d 374 (7 Cir., 1945), cert. den. 327 U.S. 784, 66 S.Ct. 684 (1946); and *Union Carbide*

Corp. v. Traver Investments, Inc., 201 F. Supp. 763 (S.D. Ill., 1962), appeal withdrawn. In accordance with the above general rules of federal jurisdiction, the Seventh Circuit in the *Klumb* case stated:

“It must be remembered that this is not an ordinary equitable action but is predicated solely upon a statutory provision which confers jurisdiction upon the court and fixes the rights of the parties. In order for plaintiff to bring himself within the terms of §4915 and before the court can adjudicate the rights of the parties, certain things must exist: (1) Plaintiff must have elected to proceed in a District Court rather than by appeal to the United States Court of Customs and Patent Appeals; (2) his complaint must be filed within six months after the decision of the Patent Office; and (3) notice must be given to adverse parties and other due proceedings had. It is our view that these requirements are jurisdictional and the complaint by appropriate allegations must show that the requirements are met; otherwise, the court is without jurisdiction.”

151 F.2d at 377.

The peculiar relationship between the requirement (1), above, that the Plaintiff must allege facts showing its election and the requirement (2), that the suit must be commenced within sixty (60) days, makes this type of action unique. Tested on its face on the 60th day after the Board of Interferences decision, the complaint must meet all three jurisdictional requirements before a district court has the power to entertain the action.

Tested on that crucial day, the original complaint before the District Court here was defective as to requirement (1), above, because it failed to disclose whether an appeal had been taken to the Court of Customs and Patent Appeals. (Vol. 1, pp. 1-4.) It could not be affirmatively ascertained from that complaint that the District Court had requisite statutory jurisdiction. The Court below no more had the power to permit amendment to cure that defect than did the court in the *Union Carbide* case, supra, to permit amendment to cure a defect as to the requirement (3) there involved. *Shell Development Co. v. Universal Oil Products Co.*, 63 F.Supp. 476 (D. Del., 1945) aff'd. 157 F.2d 421 (3 Cir., 1946.)

B. Granting of leave to amend the original complaint and the filing of the First Amended Complaint both occurred outside the 60-day period for filing a complaint.

Since the District Court had no jurisdiction to entertain the original complaint or to grant leave to amend that complaint, the filing of a First Amended Complaint [Plaintiffs' first attempt to comply with requirement (1)] 96 days after the decision complained of is defective as to the 60-day requirement (2). The 60-day period was established by the Commissioner of Patents in accordance with the statute (37 C.F.R. §1.304). No power is given the District Court to either waive this requirement or extend the period under the guise of leave to amend a complaint. *Ferwerda v. Coakwell*, 121 F.Supp. 334 (N.D. Ohio, 1953); aff'd. 220 F.2d 752 (6 Cir., 1955); *Ferwerda v. Bendix Aviation Corp.*, 136 F.Supp. 620 (D.N.J., 1955.)

There is no question among the courts that a complaint not filed within the prescribed period is defective. The only significant question is whether the defect is jurisdictional, in which case it cannot be waived even if not pleaded, or whether the defect is one of limitation, which is waived unless pleaded by the defendant.

If this Court feels, as did the courts in *Grady v. Watson*, 261 F.2d 752 (D.C. Cir., 1958); and *Radio Corporation of America v. International Standard Electric Corporation*, 134 F.Supp. 593, 594 (D.Del., 1955), that the defect is jurisdictional, then the Trial Court erred in granting Plaintiff leave to amend its complaint at a time outside the sixty- (60-) day period and in accepting Plaintiff's Amended Complaint as a basis for this action, for the Trial Court did not have jurisdiction to do either.

If this Court feels, as did the courts in *Eckey v. Watson*, 268 F.2d 891 (D.C. Cir., 1959); and *Diva Laboratorium Aktiengesellschaft v. De Loney & Co.*, 237 F.Supp. 868 (D.D.C., 1965), that the sixty- (60-) day period is a limitation which can be waived unless timely raised, the result is the same, upon Defendants' renewed motion, the Trial Court should have dismissed the First Amended Complaint.

It is clear from *Eckey* that only the Commissioner of Patents can extend the 60-day period on a petition timely filed and in the present case such extension has neither been requested nor granted. The Trial Court erred in usurping the Commissioner's adminis-

trative powers and, in effect, granting Plaintiffs a judicial extension of the 60-day period by granting Plaintiffs leave to amend their complaint and by accepting Plaintiffs' First Amended Complaint.

PUBLIC USE

35 U.S.C. §102 provides, in pertinent part:

"A person shall be entitled to a patent unless—
(b) The invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States . . ."

This statute bars the Plaintiffs from obtaining the claim in suit because of their commercial exploitation of the claimed method prior to the "critical date" of *June 10, 1956*.

"The express purpose of this statutory provision was to prevent the extension of the monopoly period permitted by the patent laws by requiring an inventor to make timely application so that the patent period might commence to run without undue delay."

Cataphote Corporation v. DeSoto Chemical Coatings, Inc., 356 F.2d 24, 25, mod., 358 F.2d 732 (9 Cir., 1966), cert. den., 385 U.S. 832 (1966).

Contemporaneous documents kept by Plaintiffs show that they placed the invention in issue in public use and on sale, in violation of the statute, by engag-

ing in various sales promotion activities prior to their critical date.

A. Plaintiffs' demonstrations of its #300 machine to customers for the purpose of inducing sales constituted public use.

Prior to September 7, 1955, Plaintiffs' sales manager invited a number of Plaintiffs' major customers to view a demonstration of their new Model 300 peach pitter. The machine was demonstrated, and samples of peaches pitted according to the method invention in issue were displayed to groups of the invited canners. The demonstrations were calculated to yield optimum results and several customers were impressed. The purposes of the demonstrations were to determine whether the pitted peach appearance was acceptable to the customers and how extensively the new pitting method might be used. (Vol. 1, p. 99; Vol. 4, pp. 225-228, 249-252, 271, 274; Vol. 5, pp. 337-340, 366, 371-372, 410-411; Vol. 6, pp. 536-537; Vol. 7, p. 560; Vol. 8, p. 678; Exh. Z, pp. 18815-18817.)

Such demonstrations and displays resulted in placing the invention in issue in public use and on sale. *Nicholson v. Carl W. Mullis Engineering & Manufacturing Co.*, 315 F.2d 532, 535 (4 Cir., 1963); *Armour & Co. v. The Rath Packing Co.*, 154 F.Supp. 54, 57 (N.D. Ill., 1957); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 235 F.Supp. 936, 938 (N.D. Cal., 1964); *Tucker Aluminum Products, Inc. v. Grossman*, 312 F.2d 293, 295 (9 Cir., 1963); *Philco Corp. v. Admiral Corp.*, 199 F.Supp. 797, 814-817 (D.Del., 1961).

B. Plaintiffs' use of sample peaches for sales promotion purposes and advertising of the machine is significant evidence of public use.

Several cases of peaches pitted on the Model 300 machine during the demonstration runs were canned, some were shown to canners as further evidence of the improved results obtainable by the #300 machine, and others were shipped to canners by Plaintiff and charged to "sales promotion expense". (Vol. 2, p. 86; Vol. 3, p. 137; Vol. 5, pp. 366-367; Exh. Z, pp. 18818-18824; Exhs. AE, AE-1, BP, BQ, BR.)

Commercial exploitation of the product (sample peaches) of a process or method is public use of the method. *Metallizing Engineering Co., Inc. v. Kenyon Bearing & Auto Parts Co., Inc.*, 153 F.2d 516, 519 (2 Cir., 1946) (and cases cited therein), cert. den. 328 U.S. 840 (1946), pet. for reh. den. 328 U.S. 881 (1946); *Tool Research & Engineering Corp. v. Honcor Corp.*, 367 F.2d 449, 453-454 (9 Cir., 1966), cert. den., 387 U.S. 919, pet. for reh. den., 88 S.Ct. 17 (1967); *Armour & Co.*, 154 F.Supp. at 57.

Pictures of the sample peaches appeared in a printed, color brochure advertising "a new pitting machine . . . the FMC peach pitter Model 300" which "FMC now offers" and "is available". A considerable number of such brochures were distributed to Plaintiffs' customers on June 5, 1956, for distribution to their trade. (Vol. 2, pp. 92-94; Vol. 3, pp. 124-125; Exh. AQ.)

Such advertising is significant evidence of public use and on sale under 35 U.S.C. §102(b). *Cataphote*

II, 235 F.Supp. at 938; *Nicholson*, 315 F.2d at 534-535; *Tucker*, 312 F.2d at 295 (where "are available" was used in the plaintiff's advertisement).

C. The sales orders for #300 machines were at least offers to lease or sell machines for performing the method, which constitutes "on sale" under the statute.

From about October 24, 1955, through March, 1956, Plaintiff took "sales orders" on its standard printed forms for over 400 Model 300 peach pitters from ten customers. (Exhs. AB-1, AB-4, AB-6, AB-10, AB-13, AB-15, AB-19, AB-20, AB-21, AC, AD, AF, BJ-1, CE-1.)

Especially when added to the factors of demonstrations, use of pitted peaches and advertising to prospective customers, the taking of orders is sufficient to call into play 35 U.S.C. §102(b). *Piet, et al. v. United States*, 176 F.Supp. 576 (S.D. Cal., 1959); *Philco*, 199 F.Supp. at 815; *Armour Research Foundation v. C. K. Williams & Co.*, 280 F.2d 499 (7 Cir., 1960), cert. den. 365 U.S. 811 (1961), pet. for reh. den. 366 U.S. 941 (1961). The law is invoked even though the machines were not to be delivered until after the critical date. *Philco*, 199 F.Supp. at 814-815; *Tucker*, 312 F.2d at 295; *Nicholson*, 315 F.2d at 534.

D. The execution and acceptance of leases of #300 machines were sales of the invention under the statute.

From October, 1955, to June, 1956 (before the critical date), at least seven of Plaintiff's customers executed standard printed form leases for #300 pitters and such leases were accepted by Plaintiff. (Exhs. AB-3, AB-5, AB-9, AB-12, AB-14, AB-18, CF-4.)

The "sales orders" may be construed as contracts of sale, but there is no question that the leases executed in response thereto were actual sales under Plaintiff's customary program of leasing peach pitting equipment with an option to purchase. *Cataphote II*, 235 F.Supp. at 937-939; *Tucker*, 312 F.2d at 295; *Nicholson*, 315 F.2d at 535.

E. Production of machines in anticipation of plaintiffs' customers' requirements and related activities are consistent with commercial use.

In mid-January, 1956, Plaintiff undertook production of sufficient #300 heads to meet its commitments. During February and March, 1956, a Model 300 machine was operated in Australia and Plaintiff's sales representatives were instructed to display such sample peaches to lessees of the machines. (Exhs. AG, AH, AI, AJ, AK, AL.)

These activities, occurring prior to the critical date, are consistent with commercial use as opposed to the alleged "experimental" use. *Philco*, 199 F.Supp. at 817; *Nicholson*, 315 F.2d at 535; *Cataphote II*, 235 F.Supp. at 940.

F. The reporting, billing, and paying of rentals under the leases of #300 machines is consistent with commercial use.

Several of Plaintiff's customers reported the tonnages of peaches pitted by their #300 machines (as required under their leases), were billed for the lease rentals, and the billings entered on ledger cards (standard forms customarily used for this purpose by Plaintiff). Some lessees actually paid the rentals

due and such payments were entered in Plaintiff's books in the customary manner. (Vol. 3, pp. 118-119, 175-176, 178, 180, 182, 184-185; Vol. 4, pp. 241-242, 292; Exhs. AB-25, AT, BB, BD-1 to BD-8, BG, BL, BO, BS-2 to BS-7, BV, CA-1 to CA-3.)

These factors are consistent with a program of sales promotion and sales carried out in the usual commercial manner. *Cataphote II*, 235 F.Supp. at 939.

"The nature of a sale of this character cannot be *changed* by the seller after the purchase." (Emphasis in original.)

Piet, 176 F.Supp. at 582.

"Rather these factors are consistent with a program of market testing, product introduction, and sales promotion that is consistent with a stage of product development well beyond the experimental."

Cataphote III, 356 F.2d at 27.

G. Plaintiffs' intent and purpose, as shown by their activities, was to commercialize their Model 300 machine.

Plaintiffs attempt to justify their delay of nearly two years from completion and successful demonstration of their invention in August, 1955, to the filing of their application in June, 1957, on the basis that they were "experimenting" with the invention. It is not Plaintiffs' *claim* that should be considered, but the actual circumstances which manifested intent. *Philco*, 199 F.Supp. at 817; *Elizabeth v. Pavement Company*, 97 U.S. 126, 133 (1877).

The purpose of the demonstrations to canners, the display of sample peaches, hectic operations in Australia, the preparation and publication of the advertising brochure—essentially all the acts that Plaintiffs now claim were “experimental”—was to *sell* the #300 machine. “Well, you certainly couldn’t sell the screw-driver and hammer method, . . .”, elaborated Plaintiffs’ Vice President in charge of the #300 machine project (Vol. 6, p. 520). The findings of the Lower Court bear out the conclusions that the demonstrations appear “typical of ‘a trader’s, and not an inventor’s, experiment’”, *Cataphote III*, 356 F.2d 27.

The facts that the alleged inventor of the method in suit, Mr. Boyce, had nothing to do with the demonstrations (Vol. 2, p. 83) and that Plaintiffs’ contemporaneous documents referred “not to experimentation, but to ‘demonstrations’” (as in Exh. Z, pp. 18815, 18816) are further evidence of commercial purposes. *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 235 F.Supp. 931, 934 (N.D. Cal., 1964); *Cataphote II*, 235 F.Supp. at 939.

Further evidence of Plaintiffs’ actual intent and purpose may be found in the lack of records of canners’ comments useful in perfecting the invention, *Armour Research*, 280 F.2d at 506, and that the demonstrations were conducted by the *sales* department, *Philco*, 199 F.Supp. 815-817.

Whether the demonstrations and advertising disclosed the details of the Model 300 machine or the demonstrations were made under some alleged security arrangements (of which there is no record) is

immaterial. *Elizabeth*, 97 U.S. at 136; *Chun King Sales v. Oriental Foods*, 136 F.Supp. 659, 662 (S.D. Cal., 1955), rev'd on other grounds; *Oriental Foods v. Chun King Sales*, 244 F.2d 909 (9 Cir., 1957); *Metalizing*, 153 F.2d at 517.

H. The scale of plaintiffs' activities with respect to the #300 machines prior to June 10, 1956, requires the finding of public use.

The mere size of Plaintiffs' leasing program for the 1956 season destroys any suggestion that it was intended to be experimental (although one witness said: "That's the way they turned out." (Vol. 6, p. 556.)

Although, as Plaintiff concedes, a single instance of public use or on sale is fatal, Plaintiff offered the Model 300 machine to most of its major customers, without any attempt at selection for "experimental" reasons, and to fill their entire plant requirements for peach pitters. (Vol. 4, pp. 260-261; Vol. 5, pp. 404, 410; Vol. 7, pp. 572, 582; Vol. 8, p. 678.) On the basis of those of Plaintiff's records which were produced during Defendants' discovery and the testimony of representatives of Plaintiff's customers, Defendants have conservatively estimated the number of Model 300 machines in operation during the 1956 season at six of Plaintiff's customers' plants at 201 (see chart in Appendix); the number of tons of peaches pitted on such machines during the 1956 season at 34,215; and the total rental income lost to Plaintiff (including rentals refunded for both the #300 and the knife pit-

ters) at \$210,832.49. If Bercut-Richards rentals were refunded, as Plaintiff claims, the total lost is \$266,291.99. Some experiment!

Not only are the findings of fact which support the conclusion that Plaintiffs placed the invention in public use and on sale more than one year before their filing date not clearly erroneous, they are supported by clear and convincing evidence, largely from Plaintiffs' own records.

I. There is no authority contrary to the holding of public use.

The only case relied on by Plaintiffs on this issue is *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corporation*, 316 F.2d 459 (9 Cir., 1963), where the Lower Court's holding, based on two crucial findings, was affirmed:

1. A "mock-up", not capable of freezing foods and two full-scale machines, both incomplete and inoperative, were constructed before the critical date; and,
2. No definite offer to buy or sell the machine was made until after the critical date when a purchase order was executed. (316 F.2d at 460-463.)

The inapplicability of that case is obvious when compared with the facts here:

1. A full-scale #300 machine successfully pitted peaches at the 1955 demonstrations for Plaintiffs' customers. The samples pitted on the machine were used to promote sales of the machine. Plaintiffs admitted the demonstrated machine embodied and practiced the invention (Vol. 2, pp. 73-74); and,

2. Sales orders and leases on regular commercial forms containing definite terms were executed before the critical date.

The *Amerio* case is further distinguishable when the fact that Plaintiffs were not engaged in "eliciting needed changes in design" of their method invention (or their machine) during the demonstrations to customers is compared with that quotation of purpose from *Amerio*. (316 F.2d at 465.)

Although the facts here are likewise distinguishable from those in *Elizabeth*, the law of that case applies:

"But if the inventor allows his machine to be used by other persons, generally, either with or without compensation, or if it is, with his consent, put on sale for such use, then it will be in public use and on public sale, within the meaning of the law." (97 U.S. at 135.)

OTHER ISSUES

The Trial Court properly disposed of the case on the public use issue.

In addition to public use, there were other issues in the action below, such as whether John Boyce was the true sole inventor on Plaintiffs' application and whether Plaintiffs had priority of invention as between the parties. No evidence was admitted on these other issues in view of an Order of the District Court, dated March 28, 1966 (Vol. 1, p. 108), that all proof of both parties on the issue of public use should be submitted before submission of proof on any other issues. Such order was made in response to Defend-

ants' motion under F.R.C.P. 42(b) for a separate trial of the issue of public use.

Having determined the issue of public use in Defendants' favor and adverse to Plaintiffs, the District Court properly held the action disposed of and ripe for entry of its final judgment. The holding that Plaintiffs placed their invention in public use and on sale more than a year prior to the filing date of their application bars the District Court from awarding any affirmative relief to Plaintiffs. *Sanford v. Kepner*, 344 U.S. 13, 15, 73 S.Ct. 75 (1952); *Turchan v. Bailey Meter Co.*, 167 F.Supp. 58, 63 (D. Del., 1958).

Plaintiffs' attempt to twist the meaning of *Sanford II* to their purpose of requesting a ruling on the validity of Defendants' patent in the guise of determining the issue of "priority". There is no evidence that Defendants have ever threatened Plaintiffs and the parties are in agreement "that the Anderson patent is not actually in use". (Vol. 6, p. 504.) Under these circumstances Plaintiffs have no right to a determination of validity of Defendants' patent because there is no controversy respecting the same. *Sanford v. Kepner*, 195 F.2d 387, 390 (3 Cir., 1952). Nor are Plaintiffs in any position to assert the "public interest" in this action where they have lost their right to a patent on the invention in issue. *Sperry Rand Corp. v. Bell Telephone Laboratories, Inc.*, 317 F.2d 491, 493 (2 Cir., 1963).

It is at least unseemly of Plaintiffs to engage in name-calling, especially when the Trial Court did not

intend the expression "dog in the manger" in any derogatory sense. (Vol. 6, p. 509.) It seems, rather, that Plaintiffs' attitude is: If we can't have a patent because of our public use, Defendants shouldn't have a patent either. Not only is there no proposition of law supporting such attitude, but *Sanford II* (cited by Plaintiffs) is directly opposed to such proposition. That case decided that the plaintiff, who had lost his right to a patent on the priority issue, had *no right* to an adjudication of the validity of the defendant's patent. Plaintiffs have lost their right to a patent on the public use issue, therefore, they have no right to an adjudication of the "validity" of Defendants' patent.

Even if the Trial Court had discretion to terminate the trial after the public use issue, such discretion was properly exercised. *Cataphote III*, 356 F.2d at 27, note 5.

It is extremely doubtful that Plaintiffs would prevail on the question of priority (notwithstanding their erroneous conclusion that Defendants have conceded or would not oppose the same) in view of their overwhelming burden of proof to overcome the Patent Office decision. *Morgan v. Daniels*, 153 U.S. 120, 124, 14 S.Ct. 772 (1893). Furthermore, this action is a poor vehicle in which to test the validity of Defendants' patent, *Cleveland Trust Company v. Berry*, 99 F.2d 517, 521, 522 (6 Cir., 1938), and would be contrary to the direction of the Supreme Court in *Sanford II*, 344 U.S. at 15-16.

CONCLUSION

Appellees-Cross-Appellants' position is that the District Court was without jurisdiction to try this action and should have dismissed the complaint on that ground.

Alternatively, if the Trial Court had jurisdiction, Plaintiffs' own records clearly sustain the finding that they intended to place and did place their machine embodying the invention in issue in public use and on sale more than one year before the filing date of their application for Letters Patent. The law is clear that such action bars them from receiving a patent, the only relief sought in this action.

Plaintiffs' complaint regarding the introduction of unspecified portions of some depositions is deemed unworthy of response and, at most, may constitute harmless error under F.R.C.P. 61.

Disposition of the action below on the public use issue was according to law and the Judgment of the District Court should be affirmed.

Dated, San Francisco, California,

April 26, 1968.

Respectfully submitted,

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CERTIFICATE OF COUNSEL

I certify that, in connection with the preparation of this brief, I have examined Rules 18, 19 and 39 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

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(Appendix Follows)

Appendix

